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National Intelligence Bulletin

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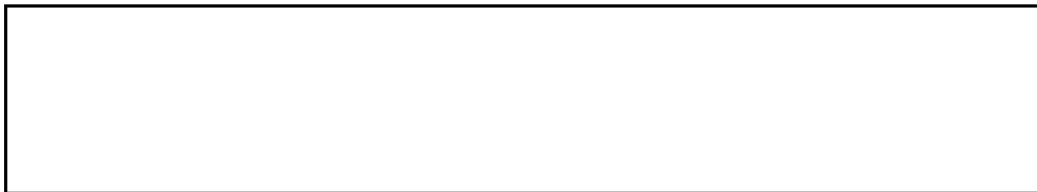
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LEBANON

Lebanese leftist leader Kamal Jumblatt last night announced that the left is extending its truce until April 30. The decision reflects the leftists' satisfaction with parliament's unanimous approval on Saturday of a proposed amendment to the constitution that would permit the immediate election of a new president.

The announcement also suggests that the leftists have been intimidated by the movement of Syrian regular forces into eastern Lebanon. Jumblatt and other leftist leaders will be reluctant to launch a new round of heavy fighting after Syria's show of determination and continuing signs that Fatah chief Yasir Arafat, although opposed to Syria's actions, is unwilling to back the leftists again with large numbers of fedayeen forces.

To underscore his unhappiness with Syria's intervention, Jumblatt included a declaration that his group will refuse to cooperate with foreign mediators until a new president is elected and a new government is formed. Jumblatt has called for an election within ten days.

In fact, no election can be held until President Franjiyah signs the constitutional amendment. He is believed willing both to approve the amendment and to resign quickly. He could change his mind if the cease-fire breaks down during the several days the Christian politicians may take to agree on a successor.

Fighting increased in several areas yesterday after the leftists' stern anti-Syria statement. According to press reports, Prime Minister Karami and Yasir Arafat last night agreed to send an envoy to Damascus for emergency talks with Syrian leaders on ways to end the unrest.

Syrian President Asad almost certainly will not reduce the military pressure on the Lebanese leftists. Now that the constitutional process is under way in Beirut, however, he may decide to slow the movement of Syrian troops across the border. This would minimize the damage of domestic and foreign attacks on his Lebanon policy, as well as the likelihood of an Israeli military countermove.



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Egypt announced yesterday that it was sending 3,000 tons of flour to Lebanon at Jumblatt's request, and Foreign Minister Fahmi, in support of the leftist position, reiterated Egypt's almost daily denunciation of Syria's attempts to "increase differences among the Lebanese sons."

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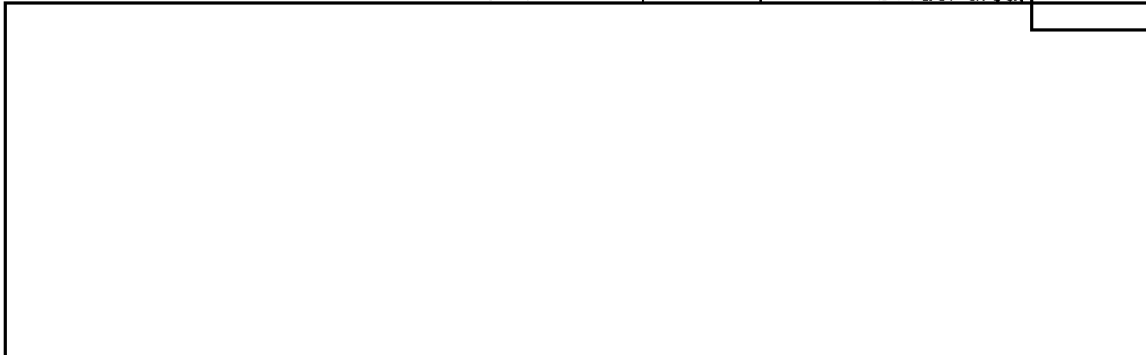


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A Syrian cabinet minister last week publicly warned President Asad against being drawn deeper into the Lebanese conflict, charging that Syria's enemies—a reference to Egypt as well as Israel—are attempting to wear down Syrian forces. Although this public criticism of Asad may have been approved or even encouraged by the President himself as a means of balancing hard-liners within the government, it draws attention to the fact that Syrian leaders are divided on how to handle the Lebanese problem.

Despite apprehension about the effects of his policy both at home and abroad, Asad now has moved approximately 5,000 to 6,000 troops to the border area.

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An Israeli military spokesman estimated yesterday that at least 60 Syrian tanks had entered Lebanon by Saturday. The spokesman reiterated Tel Aviv's view that this involvement is intended only to put pressure on the Lebanese leftists.

The government-controlled Israeli press has noted the entry of "thousands" of regular Syrian troops into Lebanon. It appears to have retracted Tel Aviv's implied threats to take action if regular Syrian forces entered the country. A broadcast yesterday suggested that Tel Aviv will take action only if Syrian forces are sent into the area south of the Litani River on a scale that would alter the security situation along the border.

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CYPRUS

Cypriot authorities are taking strong precautionary measures to protect American lives and property during the planned demonstration outside the US embassy today to protest the new US-Turkish Defense Cooperation Agreement.

President Makarios told Ambassador Crawford that

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he wished to preserve friendly relations and continued US involvement in the Cyprus problem, Makarios said he would ensure that the US embassy will be well protected.

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security personnel and police will be out in force around the embassy to control the demonstrators. Greek-officered national guardsmen will be standing by with heavy weapons.

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Police conducted riot control exercises over the weekend, national guardsmen strung barbed wire around the approaches to the embassy, and the government warned it would deal sternly with those engaging in violent activities.

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EC - DEVELOPING STATES

The members of the EC, still seeking a common policy for the dialogue between the industrialized and developing states, are watching for signs of US initiatives.

Most EC members might go along with US proposals they believe the developing states would consider favorably. They are anxious, however, that the EC itself earn credit among the developing states, and US proposals might prompt them to develop hastily an EC policy intended primarily to show that the Community, too, can be "generous."

If there is no common EC policy before May 3, when the UN Conference on Trade and Development opens in Nairobi, some EC members—particularly the Dutch and French—might present their own views in an effort to protect their political and economic interests in the developing states. Such go-it-alone moves could undermine EC unity, as well as the negotiating solidarity of the industrialized country bloc.

The industrialized states will have an opportunity to reach agreement this week. A committee of the Organization for Economic Cooperation and Development begins meeting in Paris today to prepare for the third round of the Conference on International Economic Cooperation in Paris next week. Many of the EC states are convinced that the industrial countries must be forthcoming on some third-world demands or risk a breakdown of UNCTAD as well as of the Paris forum.

A major goal of the industrialized states is to keep the talks going in Paris between oil producers and importers. Some EC members believe the Paris cooperation conference may help lead the way toward improved security of supply for many of the raw materials they import.

The EC Commission and some member states have been working hard—almost frantically—to come up with schemes clearly identified with the EC that would show a willingness to cooperate with the underdeveloped states, but their political motivation conflicts with economic pressures. When talks have moved from the general to the specific, especially when the prospects of a substantial financial commitment have been raised, efforts to reach a common EC policy have failed.

In March at a preparatory meeting for UNCTAD, the Community pushed successfully for adoption by the industrialized states of a position paper on raw materials policy. The terms are vague and, while the paper is basically acceptable to the other industrialized states, it falls short of the developing countries' demands and expectations.

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The EC foreign ministers last week approved trade concessions on tropical products exported by developing states. They did not agree, however, to reduce their own consumption taxes on coffee and tea, which had been high on the list of developing country demands, because of the high cost of such a concession.

At today's committee meeting in the OECD, the Community will reportedly propose an expansion of special trade preferences for developing countries, but the proposal will be sketchy on details.

The West Germans, to whom commodity agreements have been anathema, have been reviewing their stand on raw materials. The Belgians, also rethinking their policy, reportedly are beginning to favor use of a common fund to help support commodity markets. All but the Dutch, however, reject adoption of the \$3-billion fund for an integrated commodity program suggested by the developing states.

EC member states have also been re-examining their views on debt relief for developing states. All reject the Dutch suggestion for a broad debt moratorium—in part because they believe most developing states do not favor it. Several, however, are considering various ways to assist certain very poor states that have heavy debt burdens. Most EC states will find it hard to resist calls from the developing states for a conference on debt problems, but will work to limit its scope.

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CZECHOSLOVAKIA

Public preparations for the Czechoslovak party congress, which begins today, have stressed continuity and stability. A central theme of the congress will be the correctness of Prague's policies since Gustav Husak came to power in 1969; stress will be placed on Czechoslovak loyalty to the USSR and on President Husak's friendship with General Secretary Brezhnev.

Behind the facade, there are signs that disputes over fundamental policies have sharpened. It is unlikely that they will come to a head at the congress itself; there are too many signs that party leaders want an appearance of stability. Speeches at the congress may provide clues, however, as to whether Husak is gradually winning his battle with hard-liners in the party over how to overcome the legacy of 1968.

Perhaps the thorniest issue is what to do with former party chief Alexander Dubcek and the other prominent reformers of the "Prague Spring" still in Czechoslovakia. Though discredited and maligned, their continued dissidence is a source of constant embarrassment to the regime.

Their fate is closely linked to the problem of rehabilitating almost 500,000 former members of the party who either were purged or simply turned in their cards after the Soviet-led invasion. These people constitute a pool of badly underutilized talent in an economy that is chronically short of workers and managers.

Husak is trying to deal with the rehabilitation issue by separating the problem of Dubcek and other leaders from the thousands of rank-and-file party members who were "duped" by the "Prague Spring" and can thus be redeemed. This "differentiation" policy has been stubbornly opposed by party secretary Vasil Bilak and the rigidly orthodox conservatives who support him.

Recent evidence indicates that the balance in the party may be swinging toward Husak and the moderates. The tone of last month's congress of the Slovak party—the home constituency of Husak and Bilak—was much more restrained than in 1971.

Any decision on rehabilitation, however, would almost certainly come at party plenums after the congress. Husak might then get the party to back selective rehabilitation of former party members in return for a continuing policy of no compromise toward Dubcek and his leading supporters.

Problems in the economy have added to the tensions between Czechs and Slovaks, especially during a time of Slovak political dominance. The Czechs resent the fact that a disproportionate share of capital investment goes to Slovakia to raise its level of development to that in the Czech lands.

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As at the Soviet and Bulgarian congresses, only minor shifts in the top leadership are expected. Former president Ludvik Svoboda, who is senile and sick, may retire from the party presidium with full honors. If Svoboda is replaced, a leading candidate for his post is Foreign Minister Chnoupek, a staunch Husak supporter. Party secretary Frantisek Ondrich will probably lose his position because of his recent transfer to a government ministerial position.

There also will probably be some government shifts following the congress. [redacted] state planning chief Vaclav Hula may become a scapegoat for the country's economic problems.

The Soviet delegation to the congress is led by veteran Politburo member Andrey Kirilenko. [redacted]

[redacted]

JAPAN

Japan now has the capacity to produce more electricity by nuclear power than any country except the US.

Two new reactors began commercial operations in March, giving Japan a total of 12 nuclear power plants producing about 6,500 megawatts of electricity. Tokyo's goal of 49,000 megawatts by 1985, however, will be difficult to reach. The power companies must obtain approval and begin construction of several new reactors each year.

Japanese nuclear power utilities have encountered increasing difficulty obtaining reactor construction permits because of growing public concern over health hazards. To overcome this opposition, the government is undertaking an extensive reactor safety research program, holding public hearings on plant locations, and teaching nuclear energy courses in high schools.

Serious problems have accompanied Japan's progress in nuclear electric power generation. Last year, only 36 percent of capacity was used, about half that considered commercially desirable. This was mainly a result of long periods of reactor shutdown for repairs. Two reactors did not produce any power during part of 1974 and all of 1975.

Japanese industries are optimistic about the future, despite all the problems. For the first two months of 1976, utilization increased to nearly 68 percent, and one of the reactors previously shut down is back in operation. [redacted]

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CANADA

The Canadian government may restrict long-term capital inflows to curb continued heavy borrowing abroad by Canadian provinces and private firms.

Although the borrowed money is helping to finance this year's estimated \$4-billion current-account deficit, it is also exerting upward pressure on the Canadian dollar. Largely as a result of the recent borrowing surge, the Canadian dollar has appreciated almost 3 percent against the US dollar since December, and now has reached US \$1.02.

Ottawa is concerned that an appreciating dollar will hurt a recovery of exports, especially of manufactured goods. The government needs increased exports to sustain its forecast of 4 to 4.5 percent real economic growth in 1976. Last year, export volume declined by 7 percent.

Canada has become the leading borrower in international capital markets. Between January and March, about \$3.3 billion worth of bonds were floated abroad, compared with a record \$4 billion for all of last year.

Canadian borrowers are turning abroad for long-term capital because of relatively high domestic interest rates. They are relying primarily on US capital markets for the bulk of their funds. By the end of the first quarter, Canadians had floated about \$2.5 billion in new bond issues in the US. Canadians are also increasingly tapping the Eurobond market—\$800 million so far this year.

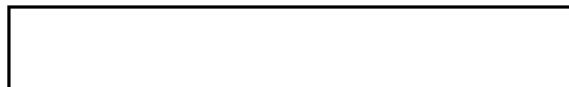
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